



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LAWRENCE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable David L. Compton, County Judge/Executive
Honorable Roger Jordan, Former County Judge/Executive
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Lawrence County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Lawrence County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Lawrence County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Lawrence County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable David L. Compton, County Judge/Executive
Honorable Roger Jordan, Former County Judge/Executive
Members of the Lawrence County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Lawrence County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following:

- The Lawrence County Fiscal Court Should Disclose Related Party Transactions To The County's Board Of Ethics

In accordance with Government Auditing Standards, we have also issued our report dated August 6, 1999 on our consideration of Lawrence County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 6, 1999

LAWRENCE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Roger Jordan	County Judge/Executive
William H. Jackson	County Attorney
Gallie Isaac, Jr.	County Clerk
Martha Kiser	Circuit Court Clerk
Bobby Workman	Sheriff
Farris T. Bush	Jailer
James Heston	Property Valuation Administrator
Sue Maynard	County Treasurer
Aaron Moon	Coroner
Bonnie Bryant	Magistrate
Harold Daniels	Magistrate
Edward Jordan	Magistrate
Lawrence E. Vinson	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LAWRENCE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

Fiscal Year Ended June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$	12,692
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Road and Bridge Fund:

Cash		460,507
------	--	---------

Jail Fund:

Cash		1,345
------	--	-------

Local Government Economic Assistance Fund:

Cash		21,514
------	--	--------

Community Development Block Grant Fund:

Cash		190,743
------	--	---------

Notes Receivable (Note 4)		256,646
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Community Development Block Grant - Sewer Project Fund:

Cash		27,650
------	--	--------

Forestry Fund:

Cash		19,170
------	--	--------

Voted Courthouse Annex Bond Fund:

Cash		193
------	--	-----

Payroll Revolving Account:

Cash		24,250
------	--	--------

Other Resources

Voted Courthouse Annex Bond Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 5)		454,807
--	--	---------

Road and Bridge Fund:

Amounts to be Provided in Future Years for Capital Lease Payments (Note 7)		963,200
---	--	---------

Total Assets and Other Resources

	\$	<u>2,432,717</u>
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The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Community Development Block Grant Fund:

Deferred Revenue (Note 4) \$ 256,646

Road and Bridge Fund:

Kentucky Area Development Districts Capital Lease Financing
 Trust Agreement (Note 7) 963,200

Voted Courthouse Annex Bond Fund:

Bonds Not Matured (Note 5) 455,000

Payroll Revolving Account 24,250

Fund Balances

Reserved:

Local Government Economic Assistance Fund 21,514

Community Development Block Grant Fund 190,743

Community Development Block Grant - Sewer Project Fund 27,650

Forestry Fund 19,170

Unreserved:

General Fund 12,692

Road and Bridge Fund 460,507

Jail Fund 1,345

Total Liabilities and Fund Balances \$ 2,432,717

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LAWRENCE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 2,932,931	\$ 815,177	\$ 1,566,416	\$ 48,347
Transfers In	639,941	173,866	196,000	160,000
Kentucky Advance Revenue Program	<u>579,240</u>	<u>303,160</u>	<u>276,080</u>	
Total Cash Receipts	<u>\$ 4,152,112</u>	<u>\$ 1,292,203</u>	<u>\$ 2,038,496</u>	<u>\$ 208,347</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,792,180	\$ 776,711	\$ 1,477,494	\$ 213,874
Transfers Out	639,941	214,075	219,866	
Bonds:				
Principal Paid	30,000			
Interest Paid	34,075			
Kentucky Area Development Districts Capital Lease Financing Trust - Principal	36,800		36,800	
Kentucky Advance Revenue Program Repaid	<u>579,240</u>	<u>303,160</u>	<u>276,080</u>	
Total Cash Disbursements	<u>\$ 4,112,236</u>	<u>\$ 1,293,946</u>	<u>\$ 2,010,240</u>	<u>\$ 213,874</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 39,876	\$ (1,743)	\$ 28,256	\$ (5,527)
Cash Balance - July 1, 1997	<u>693,938</u>	<u>14,435</u>	<u>432,251</u>	<u>6,872</u>
Cash Balance - June 30, 1998	<u><u>\$ 733,814</u></u>	<u><u>\$ 12,692</u></u>	<u><u>\$ 460,507</u></u>	<u><u>\$ 1,345</u></u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant - Sewer Project Fund	Forestry Fund	Voted Courthouse Annex Bond Fund
\$ 420,793 46,000	\$ 48,391	\$ 27,650	\$ 6,117	\$ 40 64,075
<u>\$ 466,793</u>	<u>\$ 48,391</u>	<u>\$ 27,650</u>	<u>\$ 6,117</u>	<u>\$ 64,115</u>
 \$ 269,678 206,000	 \$ 50,891	 \$	 \$ 3,532	 \$
				30,000 34,075
<u>\$ 475,678</u>	<u>\$ 50,891</u>	<u>\$ 0</u>	<u>\$ 3,532</u>	<u>\$ 64,075</u>
 \$ (8,885) 30,399	 \$ (2,500) 193,243	 \$ 27,650	 \$ 2,585 16,585	 \$ 40 153
<u>\$ 21,514</u>	<u>\$ 190,743</u>	<u>\$ 27,650</u>	<u>\$ 19,170</u>	<u>\$ 193</u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lawrence County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Lawrence County Voted Courthouse Annex Bond Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Lawrence County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county met the requirements stated above, and as of June 30, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county's agent in the county's name.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Receivables

- A. The county loaned \$400,000 to Lawrence County Properties on March 16, 1984, for the purpose of leasing the old Louisa Carpet Mills Properties. Terms of the agreement stipulate 20 annual payments at 2 percent interest. Lawrence County Properties is in substantial compliance with the terms of the agreement. As of June 30, 1998, the principal balance was \$179,761.
- B. The county loaned \$100,000 to Ron Perry Chevrolet on October 18, 1994, payable in 20 consecutive semiannual installments of \$5,000 each on April 15 and October 15 during the term of the loan. Interest is at the rate of 2 percent per annum. The first payment was not received until May 28, 1996 in the amount of \$5,000. Beginning June 26, 1996, payments are being made in the amount of \$1,000 per month. Payments are not being made in accordance with the terms of the note. As of June 30, 1998, the principal balance was \$76,885.

Total receivables are \$256,647.

Note 5. Long - Term Debt

On July 1, 1987, Lawrence County Fiscal Court issued \$685,000 in bonds, payable semiannually on January 1 and July 1 of each year, beginning on January 1, 1988. The purpose of this issue was to finance construction of the Lawrence County Courthouse Annex. As of June 30, 1998, the principal balance was \$455,000. Bond payments for the next five years are:

Principal Maturity Dates

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1998-99	\$ 31,900	\$ 30,000
1999-00	29,544	35,000
2000-01	26,825	40,000
2001-02	23,925	40,000
2002-03	21,025	40,000
Remaining	<u>51,112</u>	<u>270,000</u>
Totals	<u>\$ 184,331</u>	<u>\$ 455,000</u>

Note 6. Lease-Purchase Agreements

Lawrence County entered into a lease agreement for the purchase of road equipment. The agreement requires four annual payments of \$36,519 to be paid in full October 2000. The principal balance of the agreement was \$96,653 as of June 30, 1998.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 7. Kentucky Area Development Districts Financing Trust Agreement – Capital Lease

Lawrence County entered into a lease agreement with Kentucky Area Development Districts Financing Trust Program for road improvements. Terms of the agreement stipulate a ten-year repayment schedule with variable annual interest and principal payments. As of June 30, 1998, the principal balance was \$963,200. Lease payments for the next five years are:

Principal Maturity Dates

Fiscal Year Ending June 30	Interest	Principal
1999	\$ 30,052	\$ 37,900
2000	28,869	39,100
2001	27,649	40,300
2002	26,392	41,600
2003	25,094	42,900
Remaining	225,697	761,400
Totals	<u>\$ 363,753</u>	<u>\$ 963,200</u>

Note 8. Related Party Transactions

The Lawrence County Fiscal Court entered into the following related party transactions:

- A. Former County Judge/Executive Roger Jordan's brother-in-law, John Lemaster, was awarded contracts totaling \$258,040 for road repairs during the fiscal year ended June 30, 1998.
- B. County Treasurer Sue Maynard's brother, Jim Cyrus, was awarded contracts totaling \$64,900 for construction projects during the fiscal year ended June 30, 1998.
- C. County Treasurer Sue Maynard's son-in-law, Allen Bradshaw, performed various small repair projects totaling \$19,047 for the county during the fiscal year ended June 30, 1998.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LAWRENCE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 1,218,597	\$ 815,177	\$ (403,420)
Road and Bridge Fund	1,640,996	1,566,416	(74,580)
Jail Fund	249,694	48,347	(201,347)
Local Government Economic Assistance Fund	252,046	420,793	168,747
Community Development Block Grant Fund	47,500	48,391	891
Community Development Block Grant - Sewer Project Fund	711,315	27,650	(683,665)
Forestry Fund	5,257	6,117	860
Total	<u>\$ 4,125,405</u>	<u>\$ 2,932,891</u>	<u>\$ (1,192,514)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,125,405
Add: Budgeted Prior Year Surplus	696,066
Less: Other Financing Uses	<u>(683,595)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 4,137,876</u>

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SCHEDULE OF OPERATING REVENUE

LAWRENCE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 418,801	\$ 413,190	\$	\$
Excess Fees - 1995	2,039	2,039		
Excess Fees - 1994	960	960		
Excess Fees - 1991	1,620	1,620		
County Clerk:				
Deed Transfer Tax	12,377	12,377		
Delinquent Taxes	16,003	16,003		
Excess Fees - 1997	63,462	63,462		
Tangible Personal Property Taxes:				
County Clerk	105,023	105,023		
Other Counties	15,545	15,545		
In Lieu of Taxes:				
U.S. Treasurer	15,873	15,873		
Totals	\$ 651,703	\$ 646,092	\$ 0	\$ 0
<u>U.S. Treasurer</u>				
USDA - Reimbursement	\$ 9,457	\$	\$ 9,457	\$
USACE - Water Gauge	100	100		
Totals	\$ 9,557	\$ 100	\$ 9,457	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant Coordinator Salary	\$ 9,609	\$ 9,609	\$	\$
Lake Maintenance	22,200	22,200		
Grants:				
FEMA - Reimbursement	272,666		272,666	
Community Development Block Grant - HUD Disaster Recovery	133,728		133,728	
Community Development Block Grant - Sewer Project	27,650			
Totals	\$ 465,853	\$ 31,809	\$ 406,394	\$ 0

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant - Sewer Project Fund	Forestry Fund	Voted Courthouse Annex Bond Fund
\$	\$	\$	\$ 5,611	\$
\$ 0	\$ 0	\$ 0	\$ 5,611	\$ 0
\$	\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$	\$
		27,650		
\$ 0	\$ 0	\$ 27,650	\$ 0	\$ 0

LAWRENCE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail				
Allotments	\$ 31,000	\$	\$	\$ 31,000
Medical Allotments	3,005			3,005
Court Costs	8,381			8,381
DUI Service Fees	5,486			5,486
Miscellaneous	222			222
Public Defender Allotment	20,653	8,356		
Truck License Distribution	151,651		151,651	
Strip Mine Permits	8,150		8,150	
County Road Aid	867,177		867,177	
Courthouse Rental - Administrative				
Office of the Courts	95,880	95,880		
Refunds:				
Legal Process Tax	156	156		
Drivers License	1,398		1,398	
Severance Taxes:				
Coal	360,528			
Mineral	46,573			
Board of Assessments	400	400		
Grants:				
Bridge Replacement	60,000		60,000	
Flood Relief	1,092		1,092	
FEMA - Reimbursement	41,380		41,380	
Disaster and Emergency Assistance				
Grant Coordinator Salary	2,225	2,225		
Totals	<u>\$ 1,705,357</u>	<u>\$ 107,017</u>	<u>\$ 1,130,848</u>	<u>\$ 48,094</u>

LAWRENCE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant - Sewer Project Fund	Forestry Fund	Voted Courthouse Annex Bond Fund
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Bond Fund</u>

\$	\$	\$	\$	\$
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12,297

360,528

46,573

<u>\$</u>	<u>419,398</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>
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LAWRENCE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest Earned	\$ 29,829	\$ 3,622	\$ 19,142	\$ 253
Notes Receivable Collections:				
Lawrence County Properties	31,500			
Ron Perry Chevrolet	12,000			
Licenses and Permits:				
Cable TV Franchise	1,951	1,951		
County Permits	50	50		
Advertising Cost-Sheriff	2,043	2,043		
Insurance Proceeds	2,404	2,404		
Miscellaneous Items	1,560	965	575	
County Attorney-Reimbursement	13,646	13,646		
County Attorney - Excess Money	2,543	2,543		
Dalton Tire Lease Fee	1,735	1,735		
Extension Rent	1,200	1,200		
Totals	\$ 100,461	\$ 30,159	\$ 19,717	\$ 253
Total Operating Revenue	\$ 2,932,931	\$ 815,177	\$ 1,566,416	\$ 48,347

LAWRENCE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant - Sewer Project Fund	Forestry Fund	Voted Courthouse Annex Bond Fund
\$ 1,375	\$ 4,891	\$	\$ 506	\$ 40
	31,500			
	12,000			

20

\$ 1,395	\$ 48,391	\$ 0	\$ 506	\$ 40
\$ 420,793	\$ 48,391	\$ 27,650	\$ 6,117	\$ 40

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LAWRENCE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 49,825	\$ 49,825	\$
Deputy County Judge/Executive	24,180	24,180	
Secretaries	22,320	22,320	
Office Materials and Supplies	15,346	15,346	
Miscellaneous	1,000	454	546
Office of County Attorney:			
Salaries-			
County Attorney	35,247	35,061	186
Secretaries	31,945	31,945	
Legal Fees	2,537	2,537	
Office of County Clerk:			
Tax Bill Preparation	6,484	6,484	
Fiscal Court:			
Magistrates-			
Salaries	32,523	32,521	2
Expense Allowance	16,628	16,628	
Postage	6,000	4,478	1,522
Travel	15,000	14,119	881
Fiscal Court Clerk Salary	3,600	3,600	
Office of Property Valuation Administrator:			
Statutory Contribution	10,628	10,232	396
Office of Board of Assessment Appeals:			
Per Diem	900	800	100
Office of County Treasurer:			
Salaries-			
County Treasurer	22,960	22,960	
Other Salaries	14,409	14,409	
Bond	1,400	1,028	372

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of County Treasurer: (Continued)			
Office Materials and Supplies	\$ 7,800	\$ 6,341	\$ 1,459
New Office Equipment	4,096	4,096	
Office of County Finance Director:			
County Finance Director Salary	9,466	9,215	251
Data Processing	5,120	5,120	
FEMA Administration	24,337	24,337	
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Election Commissioners	2,400	2,106	294
Election Officers	4,080	4,080	
Election Machine	8,000	6,920	1,080
Election Poll Rental	486	486	
Election Printing and Advertising	10,466	10,466	
Courthouse:			
Utilities	24,070	24,070	
Insurance	15,552	12,854	2,698
Improvements or New Construction	21,899	21,899	
Materials and Supplies	8,728	8,728	
Telephone	30,845	30,845	
Annex Building:			
Janitor	29,347	29,347	
Repairs	23,000	22,708	292
Utilities	8,567	8,566	1
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	14,000	8,460	5,540
Office of Public Defender:			
Contribution	4,000	1,750	2,250

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Recreation and Culture</u>			
Parks:			
Maintenance and Grounds	\$ 19,000	\$ 18,144	\$ 856
<u>Debt Service</u>			
Borrowed Money:			
Interest	1,000		1,000
Other County Liabilities:			
Lawsuit Judgement	73,182		73,182
<u>Capital Projects</u>			
Buildings:			
Maintenance and Repair Services	10,000	722	9,278
<u>Administration</u>			
General Services:			
Audit Services	58,070	58,070	
Officials Bonds	2,408	1,056	1,352
Memberships-			
FIVCO	4,400	4,233	167
Eastern Kentucky Conference	8,003	6,350	1,653
KACO	3,330	1,850	1,480
Bond Trustee Fee	870	870	
Fringe Benefits:			
County Contributions-			
Social Security	38,782	38,782	
Retirement	41,441	41,441	
Health Insurance	36,821	36,200	621
Worker's Compensation	13,830	9,072	4,758
Unemployment Insurance	8,000	8,000	
Total Operating Budget (Carried Forward)	\$ 888,928	\$ 776,711	\$ 112,217

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
Total Operating Budget (Brought Forward)	\$ 888,928	\$ 776,711	\$ 112,217
Other Financing Uses:			
Transfers to Voted Courthouse Annex Bond Fund	67,555	64,075	3,480
Kentucky Advance Revenue Program - Principal	303,160	303,160	
Total General Fund	\$ 1,259,643	\$ 1,143,946	\$ 115,697

ROAD AND BRIDGE FUND

General Government

Office of County Finance Director:			
FEMA Administration	\$ 7,107	\$ 7,107	\$

Roads

Road Maintenance:			
Salaries-			
Road Foreman	24,657	22,157	2,500
Road Labor	51,572	48,208	3,364
Equipment Operators	119,891	103,769	16,122
Truck Drivers	39,140	14,006	25,134
Surveyor	6,600	6,300	300
Asphalt	37,757	32,060	5,697
Bridge Replacement Program	120,000	117,482	2,518
Crushed Stone and Gravel	167,917	167,917	
Flood Repairs	313,795	313,795	
Gasoline and Diesel Fuel	40,000	38,525	1,475
Machinery and Equipment Repairs	76,944	76,944	
Pipe	21,377	21,377	
Right of Way	2,500		2,500
Tires and Tubes	12,948	11,420	1,528
Wood Products	3,810	3,810	
Equipment		2,200	(2,200)

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements-			
Principal - Equipment	\$ 38,719	\$ 28,346	\$ 10,373
Interest - Equipment	8,173	8,173	
Interest - Roads	27,534	35,707	(8,173)
Lawsuit Judgement	250,000	250,000	
<u>Administration</u>			
Insurance:			
Equipment	41,753	41,753	
Contingent Appropriations:			
Reserve for Budget Transfers	196,553		196,553
Fringe Benefits:			
County Contributions-			
Retirement	34,770	22,929	11,841
Social Security	24,454	17,114	7,340
Health Insurance	33,000	27,000	6,000
Worker's Compensation	37,186	37,186	
Unemployment Insurance	22,209	22,209	
Total Operating Budget	\$ 1,760,366	\$ 1,477,494	\$ 282,872
Other Financing Uses:			
Kentucky Area Development			
Districts Financing Trust	36,800	36,800	
Kentucky Advance Revenue Program-			
Principal	276,080	276,080	
Total Road and Bridge Fund	\$ 2,073,246	\$ 1,790,374	\$ 282,872

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 12,000	\$ 12,000	\$
Jail Personnel	19,726	19,726	
Transport Supervisor	17,000	17,000	
Part-Time	15,791	15,791	
Contracts with Other County	89,553	69,581	19,972
Juvenile Housing	39,235	39,235	
Food	2,282	2,282	
Gasoline	2,800	1,608	1,192
Medical Services	26,000	13,329	12,671
Bonds, Travel, and Miscellaneous	2,931	2,930	1
<u>Debt Service</u>			
Holding Company Bonds:			
Interest - Regional Detention Center	14,712	12,747	1,965
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	2,226	2,226	
Social Security	1,933	1,933	
Unemployment Insurance	3,505	3,486	19
Total Jail Fund	\$ 249,694	\$ 213,874	\$ 35,820

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of County Coroner:			
Salaries-			
County Coroner	\$ 9,000	\$ 9,000	\$
Assistant	1,900	1,876	24
Autopsies and Attendant Services	1,330	1,330	
<u>Protection to Persons and Property</u>			
Sheriff's Office:			
Gasoline	10,838	10,838	
Vehicle Maintenance	11,300	11,299	1
Disaster and Emergency Services:			
Program Support	21,478	21,478	
Emergency Dispatch Service:			
Dispatch Service	24,000	24,000	
<u>General Health and Sanitation</u>			
Solid Waste Collection:			
Supervisor/Director Salary	19,656	19,656	
County Dump Cleanup	1,687	1,682	5
Dog Control:			
Lawrence County Animal Control	20,000	20,000	
Animal Control Warden	600	506	94
Social Services:			
Service to Indigents			
Pauper Burials	4,448	4,448	
Public Advocate Program:			
Legal Fees	26,274	26,274	

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u> (Continued)			
<u>Roads</u>			
Road Maintenance:			
Asphalt and Crushed Stone	\$ 112,805	\$ 112,791	\$ 14
<u>Recreation and Culture</u>			
Supplies and Equipment:			
Chapman Park	500	500	
Stella Moore LFCL	4,000	4,000	
Total Local Government Economic Assistance Fund	<u>\$ 269,816</u>	<u>\$ 269,678</u>	<u>\$ 138</u>
COMMUNITY DEVELOPMENT <u>BLOCK GRANT FUND</u>			
<u>General Government</u>			
Economic Development	\$ 184,000	\$ 41,900	\$ 142,100
<u>Capital Projects</u>			
Architect	42,000		42,000
Department Staff	8,000	7,749	251
Recording	2,000	1,242	758
Total Community Development Block Grant Fund	<u>\$ 236,000</u>	<u>\$ 50,891</u>	<u>\$ 185,109</u>

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
COMMUNITY DEVELOPMENT BLOCK GRANT - SEWER <u>PROJECT FUND</u>			
<u>Capital Projects</u>			
Sewers:			
Sewer Project	<u>\$ 711,315</u>	<u>\$ 0</u>	<u>\$ 711,315</u>
<u>FORESTRY FUND</u>			
<u>Protection to Persons and Property</u>			
Forest Fire Protection:			
Forest Resource Services	<u>\$ 21,757</u>	<u>\$ 3,532</u>	<u>\$ 18,225</u>
Total Operating Budget - All Funds	<u>\$ 4,137,876</u>	<u>\$ 2,792,180</u>	<u>\$ 1,345,696</u>
Other Financing Uses:			
Transfers to Voted Courthouse Annex			
Bond Fund	67,555	64,075	3,480
Kentucky Area Development			
Districts Financing Trust	36,800	36,800	
Kentucky Advance Revenue			
Program - Principal	<u>579,240</u>	<u>579,240</u>	
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 4,821,471</u></u>	<u><u>\$ 3,472,295</u></u>	<u><u>\$ 1,349,176</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable David L. Compton, County Judge/Executive
Honorable Roger Jordan, Former County Judge/Executive
Members of the Lawrence County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Lawrence County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 6, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lawrence County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lawrence County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable David L. Compton, County Judge/Executive
Honorable Roger Jordan, Former County Judge/Executive
Members of the Lawrence County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On
An Audit Of Financial Statements Performed In Accordance With Government
Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 6, 1999

COMMENT AND RECOMMENDATION

LAWRENCE COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1998

INTERNAL CONTROL

The Lawrence County Fiscal Court Should Disclose Related Party Transactions To The County's Board Of Ethics

During our audit, we made inquiries and reviewed the county's accounting records and other documentation to determine the existence of related party transactions. The following related party transactions were noted as a result of our review and inquiries.

- Former County Judge/Executive Roger Jordan's brother-in-law, John Lemaster, was awarded contracts totaling \$258,040 for road repairs during the fiscal year ended June 30, 1998.
- County Treasurer Sue Maynard's brother, Jim Cyrus, was awarded contracts totaling \$64,900 for construction projects during the fiscal year ended June 30, 1998.
- County Treasurer Sue Maynard's son-in-law, Allen Bradshaw, performed various small repair projects totaling \$19,047 for the county during the fiscal year ended June 30, 1998.

The related party transactions were voted on and documented by the fiscal court. We recommend the fiscal court continue to document and vote on all related party transactions. In addition, we recommend the county Board of Ethics be informed of these transactions.

Management's Response:

We agree that these related party transactions were handled properly. We also note that the county issued IRS form 1099 to report amounts paid to these vendors.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

LAWRENCE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998


Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LAWRENCE COUNTY FISCAL COURT

The Lawrence County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer